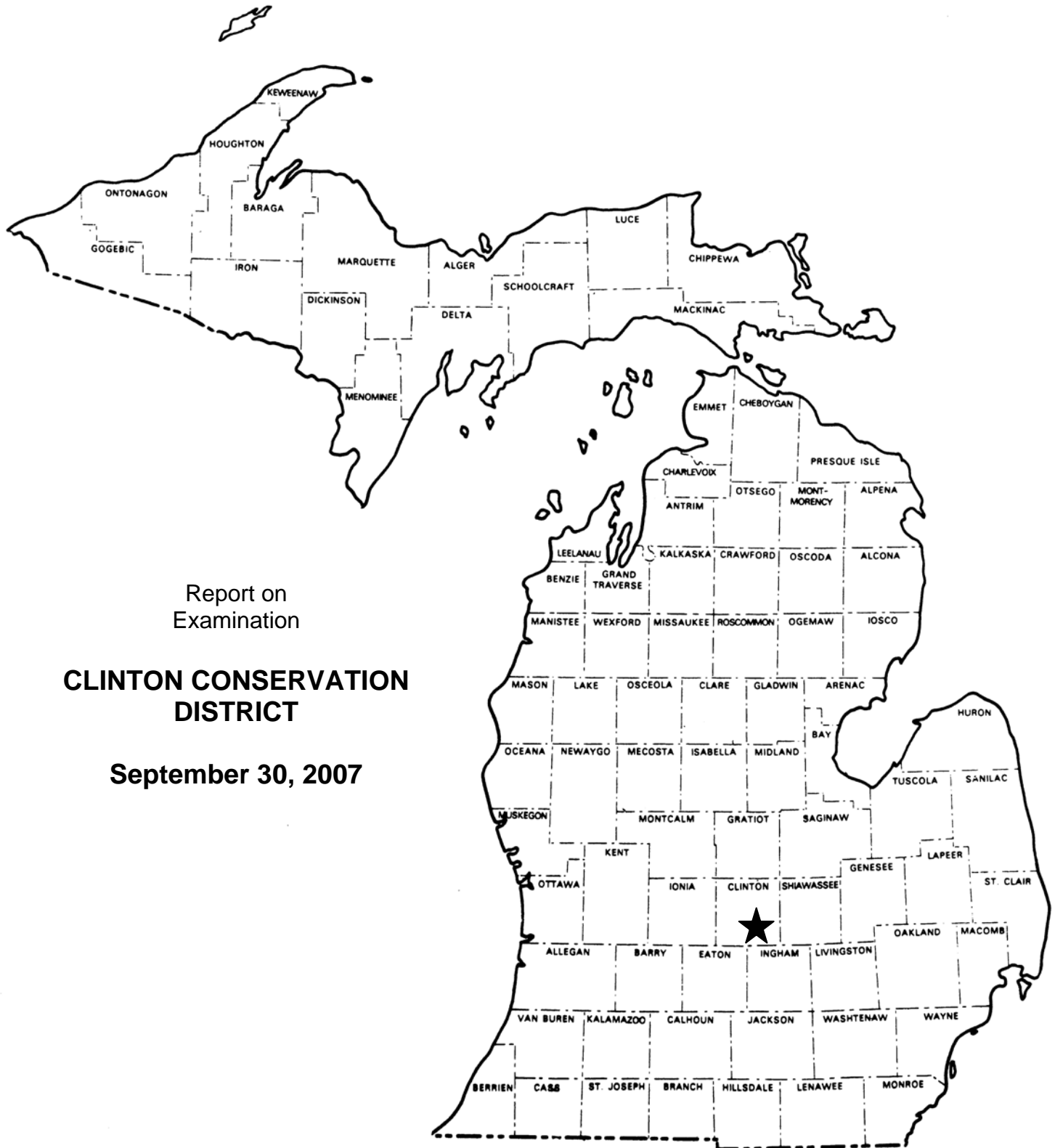


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**CLINTON CONSERVATION
DISTRICT**

September 30, 2007

CLINTON CONSERVATION DISTRICT

BOARD OF DIRECTORS

Ken Halfman
Chairperson

Jim Graham
Vice Chairperson

Bill Lasher
Secretary/Treasurer

Gloria Miller
Member

Donnalee Pontius
Member

Gary Fritz
Executive Director



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 20, 2007

Board of Directors
Clinton Conservation District
2343 North US-27
St. Johns, Michigan 48879

Independent Auditor's Report

Dear Directors:

We have audited the accompanying financial statements of the governmental activities of the Clinton Conservation District, St. Johns, Michigan, as of and for the year ended September 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Clinton Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Clinton Conservation District, as of September 30, 2007, and the changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2007, on our consideration of the Clinton Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clinton Conservation District's basic financial statements. The accompanying supplementary and related information presented as Exhibits D and E has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CLINTON CONSERVATION DISTRICT

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CLINTON CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

The Clinton Conservation District's (Conservation District) management discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Conservation District's financial activity; c) identify changes in the Conservation District's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Conservation District.

- The government-wide financial statements are included in Exhibits A and B and provide both long-term and short-term information about the Conservation District's overall financial status. These statements report information about the Conservation District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Conservation District's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on the general operating fund, reporting the operation in more detail than the government-wide statements.

Reporting the Conservation District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Conservation District, as a whole, and about its activities in a way that helps answer the question of whether the Conservation District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the Conservation District's net assets and the changes in them. The reader can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health or financial position. Over time, increases and decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

CLINTON CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the Conservation District's Major Fund

The financial statements begin on page six and provide detailed information about the major fund. The Conservation District has only one fund, the General Operations Fund, in which all of the Conservation District's activities are accounted. The General Operations Fund is a governmental type fund.

- **Governmental Fund**--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Conservation District's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Conservation District's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Conservation District as a Whole

The Clinton Conservation District's financial position has improved during the 2007 fiscal year. The improvement can be attributed to funding received from the Filter Mound 319 Grant, the Upper Looking Glass 319 Project, CTAI Program, CIG Program and extra revenues received from Clinton County. The Conservation District's net assets for the governmental funds increased \$7,259 from a year ago for the governmental activities. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2006	Governmental Activities 2007	Difference	Percent
Other Assets	\$ 182,152	\$ 174,290	\$ (7,862)	-4%
Capital Assets	2,839	2,208	(631)	-22%
Total Assets	184,991	176,498	(8,493)	-5%
Other Liabilities	30,454	16,171	(14,283)	-47%
Long-Term Liabilities	4,179	2,712	(1,467)	-35%
Total Liabilities	34,633	18,883	(15,750)	-45%
Net Assets				
Investment in Capital Assets				
Net of Related Debt	2,839	2,208	(631)	-22%
Restricted	3,226	8,537	5,311	165%
Unrestricted (Deficit)	144,293	146,870	2,577	2%
Total Net Assets	\$ 150,358	\$ 157,615	\$ 7,257	5%

CLINTON CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

All of the Conservation District's operations are considered one fund. The District holds money in its bank account for the Progressive Farmers Club. This organization, formerly known as the No-Till Club, is an informal association of people who wish to inform and educate each other, as well as the general public on items important to them in the field of agriculture. The Conservation District acts as the fiduciary for funds collected by the group and is the mechanism by which any expenses they have are paid. The Club approves its own expenses and submits them for payment by the Conservation District on the Club's behalf. Revenue is receipted through the Conservation District, but is sometimes receipted through the MSU-Extension Office. Occasionally, expenses are netted against the amount remitted by the MSU-Extension Office to the Conservation District. The Progressive Farmers Club may withdraw its money held by the Conservation District at any time. Expenses are for educational purposes.

The Conservation District's Forestry Grant allows carry-over of funds from one year to the next. Michigan Department of Agriculture has established new guidance that restricts these carry-over funds to the same uses as originally allowed.

Changes in Net Assets

Revenue was affected by changes in product demand due to tree sales. Also, as noted above, revenues were affected by the Conservation District receiving additional grant funding and contributions from Clinton County. Expenses increased due to the board's decision to increase Conservation District activities.

A summary of changes in net assets for the year ended September 30, 2007, follows:

	Governmental Activities 2006	Governmental Activities 2007	Difference	Percent
Program Revenues				
Charges for Services	\$ 69,838	\$ 68,462	\$ (1,376)	-2%
Operating Grants and Contributions	197,428	272,281	74,853	38%
General Revenues				
Unrestricted Investment Earnings	6,030	7,262	1,232	20%
Total Revenues	273,296	348,005	74,709	27%
Program Expenses				
Other General Government				
Soil Conservation Operations	254,912	340,746	85,834	34%
Total Expenses	254,912	340,746	85,834	34%
Change in Net Assets	\$ 18,384	\$ 7,259	\$ (11,125)	-61%

CLINTON CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's Fund

The Conservation District's General Operations Fund is used to control the expenditures of grant monies which are earmarked by law for the conservation of natural resources of the State, including soil, water, farmland, and other natural resources. It also provides for the control and prevention of soil erosion to conserve the natural resources of the State.

For the year ended September 30, 2007, the fund balance of the General Operations Fund increased by \$6,423, as compared to an increase of \$15,612 in the fund balance for the year ended September 30, 2006. Total operating revenues were \$348,005, an increase of \$74,709 as compared to prior fiscal year, which was primarily the result of an increase in operating grants and contributions.

Total expenditures of \$341,582 equaled an increase of \$83,898, as compared to the prior year. The change in expenditures was primarily the result of an increase in wages and supplies for operating the two new grants.

Budgetary Highlights

Prior to the beginning of any year, the Conservation District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Conservation District's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews all expenditures throughout the year.

The Conservation District's original expenditures were projected at \$337,755, while actual expenditures were \$341,582, resulting in actual expenditures being over the final budget by \$3,827. This was primarily due to the expenditures for the CTAI and CIG Grants having no budget and expending fewer funds on other grants than originally budgeted, such as the Ground Water Stewardship Grant that ended during the year.

Capital Assets and Debt Administration

The Conservation District's only capital asset is a photocopier that was purchased in 2006 in the amount of \$3,155 and incurred \$316 in depreciation expense during fiscal year 2006. Depreciation expense amounted to \$631 in fiscal year 2007. The net capital asset of \$2,208 is shown on the government-wide financial statements. Nothing else owned by the Conservation District meets the \$2,500 threshold adopted by the board for capitalization of capital assets. There were no commitments for capital expenditures during fiscal year 2007. There are also no known changes to credit rating or debt limitations.

CLINTON CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The Conservation District's financial position is tied to the State's economy. Most of the Conservation District's funding is received through the Michigan Department of Agriculture. Much of this is dependent on the State's financial condition. In addition, county funds and tree sale receipts are also affected by the economy. All of these revenue sources are at risk until the economy rebounds. The District's Upper Looking Glass and Filter Mound 319 Grants are scheduled to be completed at the end of the fiscal year 2008. This will also have an impact on the Conservation District's financial position. On the other hand, the Conservation District has received continued funding for CTAI, CIG, and MAEAP Programs, and a new 319 Grant for the Upper Maple River Watershed Plan is to begin during the year, which brings additional revenues into the Conservation District. The Conservation District is well-positioned to obtain future grants and anticipates the District's financial position will remain strong.

The board realizes, and the reader should understand that there are not sufficient funds available to consult with every land owner in Clinton County; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the land owners and the citizens of Clinton County.

Contacting the Conservation District's Financial Management

This financial report is designed to provide the land owners, citizens and other interested parties a general overview of the Conservation District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Conservation District for Clinton County administrative offices at: 2343 North US-27, St. Johns, Michigan 48837. Phone: (989) 224-3720, extension 114.

**CLINTON CONSERVATION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
AND STATEMENT OF NET ASSETS
September 30, 2007**

EXHIBIT A

	Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 142,805		\$142,805
Due From State	30,330		30,330
Prepaid Expense	1,155		1,155
Capital Assets (Net of Accumulated Depreciation)		\$ 2,208	2,208
Total Assets	\$ 174,290	\$ 2,208	\$176,498
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 4,849		\$ 4,849
Accrued Wages Payable	5,660		5,660
Payroll Liabilities	2,618		2,618
Sales Tax Payable	256		256
Deferred Revenue--Tree Sales	2,788		2,788
Long-Term Liabilities			
Compensated Absences		\$ 2,712	2,712
Total Liabilities	16,171	2,712	18,883
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance			
Reserved for			
Progressive Farmers	2,308	(2,308)	-
Forestry Assistance	6,229	(6,229)	-
Unreserved/Undesignated	149,582	(149,582)	-
Total Fund Equities	158,119	(158,119)	-
Total Liabilities and Fund Balance	174,290	(157,615)	-
Net Assets			
Investment in Capital Assets			
Net of Related Debt		2,208	2,208
Restricted for			
Grant Programs		6,229	6,229
Other Purposes		2,308	2,308
Unrestricted		146,870	146,870
Total Net Assets	\$ -	\$ 157,615	\$157,615

The Notes to Financial Statements are an integral part of this statement.

**CLINTON CONSERVATION DISTRICT
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
September 30, 2007**

EXHIBIT A-1

Fund Balance	\$158,119
--------------	-----------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add--Capital Assets	3,155
Deduct--Accumulated Depreciation	<u>(947)</u>
Net Capital Asset Addition	<u>2,208</u>

Certain liabilities, such as compensated absences, are not due and payable in the current period. Therefore, they are not reported in the fund's statement.

Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(2,712)</u>
Net Assets of Governmental Activities	<u><u>\$157,615</u></u>

The Notes to Financial Statements are an integral part of this statement.

CLINTON CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGE IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT B

	Modified Accrual Basis	Adjustments	Statement of Net Activities
Revenue			
Federal Grants	\$ 129,076		\$ 129,076
State Grants	117,325		117,325
Contributions From Local Units of Government	23,350		23,350
Charges for Services	68,462		68,462
Interest and Rents	7,262		7,262
Other Revenues	2,530		2,530
Total Revenue	348,005	\$ -	348,005
Expenditures			
Other General Government	341,582	(836)	340,746
Total Expenditures	341,582	(836)	340,746
Excess of Revenue Over (Under) Expenditures	6,423		
Change in Net Assets		836	7,259
Fund Balance/Net Assets--Beginning of Year	151,697	(1,341)	150,356
Fund Balance/Net Assets--End of Year	\$ 158,120	\$ (505)	\$ 157,615

The Notes to Financial Statements are an integral part of this statement.

**CLINTON CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007**

EXHIBIT B-1

Net Change in Fund Balance	\$ 6,423
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Deduct--Depreciation Expense	(631)
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Reduction of compensated absences has no effect on the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Reductions to Long-Term Liabilities for Compensated Absences	<u>1,467</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 7,259</u></u>
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The Notes to Financial Statements are an integral part of this statement.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF DISTRICT OPERATIONS AND FUND TYPES

The accounting policies of the Clinton Conservation District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Clinton Conservation District:

Reporting Entity

Clinton Conservation District is located in Clinton County and provides services to approximately 60,000 residents in many conservation areas. Clinton Conservation District is governed by a five member board. The District board consists of the chair, vice-chair, secretary/treasurer and two directors whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the records of the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental units that are required to be included in the financial statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of Clinton Conservation District. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the District's assets and liabilities with the difference being reported as: invested in capital assets-net of related debt, restricted, and/or unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements--General Operating Fund

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. This fund is used to account for all financial transactions of the District. Revenues are primarily derived from grants, county appropriation, tree sales and donations. The fund includes the general operating expenditures of the district.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; 2) Michigan Department of Agriculture Grants, other State/Federal grants, and county contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Department of Agriculture Grants, other State and Federal grants, charges for services, contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value, when obtained.

Accounts Receivable

At September 30, 2007, the accounts receivable for the District was \$0.

Due from State of Michigan

At September 30, 2007, the District had due from the State of Michigan \$30,330, which represents amounts due for various State and Federal grants that passed through the Michigan Department of Agriculture and Michigan Department of Environmental Quality.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Deferred Revenue

Deferred revenue is recorded in connection with revenue that has been received, but not yet earned.

Capital Assets

Capital assets, which include property, plant and equipment (there are no infrastructure assets), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$2,500 that have a useful life of more than one year. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Purchases for equipment that have an original cost of less than the capitalization threshold, but more than \$1,000, are recorded and inventoried for operational control and insurance purposes, but not capitalized or depreciated.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Machinery and Equipment	5 to 10 years
Office Equipment and Furniture	5 to 10 years
Computer Hardware	5 years

In determining the useful life, the District takes into consideration: quality, application or use, and environmental conditions.

Compensated Absences (Vacation and Sick Leave)

It is the District's policy to permit employees to accumulate unused sick and vacation pay benefits. Upon termination of employment through retirement or death, vacation pay is payable at 100%, not to exceed 80 hours for full-time employees. Any accrued sick leave is forfeited upon termination of employment. All vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for this amount is reported in governmental funds only for employee terminations as of year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421), which requires the directors to approve a budget for the District. Pursuant to the Act, the director's chief administrative officer prepares and submits a proposed operating budget to the director for its review and consideration. The board of directors conducts a public budget hearing and subsequently adopt an operating budget. The budget is adopted at the activity level and control is exercised at the activity level. The District's board of directors monitors and amends the budgets as necessary. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect revenues and expenditures for the fund.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Budget Violation

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The following activities exceeded the final amended budget:

<u>Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
CTAI Program		\$ 53,399	\$ (53,399)
CIG Program		21,321	(21,321)
Upper Looking Glass 319 Grant	\$ 90,500	91,705	(1,205)
CSP Maple River		1,731	(1,731)

Adoption of Investment Policy

According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998. As of September 30, 2007, the board of directors has adopted an investment policy. However, the policy is not in compliance with GASB Statement No. 40 for custodial, credit, and investment risks.

Adoption of Automated Clearing House Policy (ACH)

According to Michigan Compiled Laws (MCL) 124.303:

“A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body.”

Clinton Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS

MCL 129.91 authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The District has adopted a written investment policy in accordance with the requirements of Public Act 20 of 1943, as amended. However, the policy is not compliant with GASB Statement No. 40. The District's deposits are in accordance with statutory authority. The District Board has designated one bank for the deposit of District funds.

At year end, the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash on Hand	\$ 100
Certificates of Deposit	66,018
Cash and Cash Equivalents	<u>76,687</u>
Total	<u><u>\$ 142,805</u></u>

The bank balance of the primary government's deposits is \$162,593, of which \$100,000 is covered by Federal depository insurance. At September 30, 2007, the District maintained \$2,308 in the cash and cash equivalents amount above which belongs to Progressive Farmers and is recorded as reserved fund balance/restricted net assets.

Investments Authorized by the Entity's Investment Policy

The District's investment policy only authorizes investment in all those that are authorized by law. The District has limited their investments to certificates of deposit that may extend beyond one year. The District has a written formal investment policy. However, it does not conform to GASB Statement No. 40. Therefore, management has not addressed their exposure to interest rate risk, credit risk, and concentration of credit risk as required by GASB Statement No. 40.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has not addressed interest rate risk.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Long-term certificates of deposit do not have a rating provided by a nationally recognized statistical rating organization. The District has not addressed concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the District's formal investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The District has not addressed custodial credit risk.

NOTE E--DEFERRED COMPENSATION PLAN

The Clinton Conservation District Board of Directors offers all employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457, with Comprehensive Financial Services, Inc. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the District's financial statements.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Following is a summary of the changes in the capital assets:

	Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Being Depreciated				
Office Equipment	<u>\$ 3,155</u>	<u> </u>	<u> </u>	<u>\$ 3,155</u>
Total	<u>3,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,155</u>
Less Accumulated Depreciation				
Office Equipment	316	631		947
Total	<u>316</u>	<u>631</u>	<u>-</u>	<u>947</u>
Net Capital Assets Being Depreciated	<u>2,839</u>	<u>-</u>	<u>631</u>	<u>2,208</u>
Total Net Capital Assets	<u><u>\$ 2,839</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 631</u></u>	<u><u>\$ 2,208</u></u>

NOTE G--LONG-TERM DEBT

The long-term debt of the Conservation District may be summarized as follows:

	Balance 10/01/06	Additions (Reduction)	Balance 09/30/07	Due Within One Year
Vested Employee Benefits				
Vacation (Annual Leave)	<u>\$ 4,179</u>	<u>\$ (1,467)</u>	<u>\$ 2,712</u>	<u> </u>
Total	<u><u>\$ 4,179</u></u>	<u><u>\$ (1,467)</u></u>	<u><u>\$ 2,712</u></u>	<u><u>\$ -</u></u>

Vested Employee Benefits

Vacation (annual leave) is earned in varying amounts depending on the number of years of service of an employee. Vacation is earned after six months of employment in increments of one hour for every 20 hours worked. No annual leave may be earned or used until the completion of six months of employment. Annual leave may be carried over to the next calendar year as determined by the length of the employee's service time. From six months to five years, up to 80 hours may be carried over to the next year. More than five years of service time, an employee may carry over to the next calendar year up to 120 hours of annual leave time.

CLINTON CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Effective 180 days after the beginning of employment, employees may accrue 4 hours sick leave per 80 regular hours paid and may accrue up to 240 hours (6 weeks). All full-time employees and full-time grant employees are eligible to receive paid sick leave. Part-time employees who work 20 hours per week or more are eligible for paid sick leave on a prorated basis in accordance with their normal work schedule. Any accrued sick leave is forfeited upon termination of employment.

All District employees are eligible for compensatory time in-lieu-of overtime, if approved in advance by the executive director. Compensatory time can not be accumulated in excess of 24 hours and is forfeited upon termination of employment.

Upon termination of employment through retirement or death, vacation pay is payable at 100%, not to exceed 80 hours.

NOTE H--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

**CLINTON CONSERVATION DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL OPERATING FUND
For the Year Ended September 30, 2007**

EXHIBIT C

GENERAL OPERATING FUND				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Federal Grants	\$ 125,000	\$ 153,000	\$ 129,076	\$ (23,924)
State Grants	109,000	83,550	117,325	33,775
Contributions From Local Units of Government	17,000	16,000	23,350	7,350
Charges for Services	63,125	65,625	68,462	2,837
Interest and Rents	9,000	6,000	7,262	1,262
Other	19,250	18,200	2,530	(15,670)
Total Revenue	342,375	342,375	348,005	5,630
Expenditures				
Other General Government				
Soil Conservation Operations				
District Operations	69,370	69,370	65,967	3,403
Groundwater Stewardship	30,125	30,125	4,632	25,493
Forestry Assistance Program	27,550	27,550	23,115	4,435
MAEAP Program	35,350	35,350	33,811	1,539
CTAI Program	-	-	55,250	(55,250)
CIG Program	-	-	22,048	(22,048)
Filter Mound 319 Grant	35,000	35,000	4,483	30,517
Upper Looking Glass 319 Grant	90,500	90,500	91,524	(1,024)
Tree Sales Revenue	46,360	46,360	37,812	8,548
Pheasants Forever Project	2,000	2,000	-	2,000
CSP Maple River Expenses	-	-	1,731	(1,731)
Progressive Farmer Expenses	1,500	1,500	1,209	291
Total Expenditures	337,755	337,755	341,582	(3,827)
Excess of Revenues Over (Under) Expenditures	4,620	4,620	6,423	1,803
Fund Balance--October 1, 2006	151,697	151,697	151,697	-
Fund Balance--September 30, 2007	\$ 156,317	\$ 156,317	\$ 158,120	\$ 1,803

The Notes to Financial Statements are an integral part of the statement.

CLINTON CONSERVATION DISTRICT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2007

EXHIBIT D

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Federal Grants				
MAEAP	\$ 30,000	\$ 27,500	\$ 27,500	-
Filter Mound	5,000	35,000	7,024	\$(27,976)
Section 319--Upper Looking Glass Project	90,000	90,500	94,552	4,052
Total Federal Grants	125,000	153,000	129,076	(23,924)
State Grants				
MDA--Operations	20,000	19,000	9,600	(9,400)
Groundwater Program	54,000	26,000	-	(26,000)
Cost Share Revenue	5,000	4,000	5,500	1,500
Forestry Assistance Program	25,000	27,550	27,500	(50)
CTAI Program	5,000	7,000	53,418	46,418
CIG Program	-	-	21,307	21,307
Total State Grants	109,000	83,550	117,325	33,775
Contributions From Local Units of Government				
Clinton County	17,000	16,000	23,350	7,350
Total Local Units of Government	17,000	16,000	23,350	7,350
Charges for Services				
Meeting Revenue	-	1,000	175	(825)
Tree Sales Revenue	61,000	64,500	63,607	(893)
Other Charges for Services				-
District Operations	2,125	125	4,680	4,555
Total Charges for Services	63,125	65,625	68,462	2,837
Interest and Rents				
Interest Earned	9,000	6,000	7,262	1,262
Total Interest and Rents	9,000	6,000	7,262	1,262
Other				
Donations and Contributions	5,050	1,000	739	(261)
Pheasants Forever		2,000	56	(1,944)
Reimbursements				
District Operations	14,200	13,700	-	(13,700)
Miscellaneous Income		1,500	1,735	235
Total Other	19,250	18,200	2,530	(15,670)
Total Revenues	\$ 342,375	\$ 342,375	\$ 348,005	\$ 5,630

CLINTON CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2007

EXHIBIT E

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
District Operations	\$ 69,370			
Personal Services		\$ 53,170	\$ 49,597	\$ 3,573
Supplies		1,800	592	1,208
Other Services and Charges		14,400	15,778	(1,378)
Groundwater Stewardship	30,125			
Personal Services		22,605	-	22,605
Supplies		370	123	247
Other Services and Charges		7,150	4,509	2,641
Forestry Assistance Program	27,550			
Personal Services		23,785	19,311	4,474
Supplies		325	92	233
Other Services and Charges		3,440	3,712	(272)
MAEAP Program	35,350			
Personal Services		31,615	31,746	(131)
Supplies		250	17	233
Other Services and Charges		3,485	2,048	1,437
CTAI Program				
Personal Services			53,292	(53,292)
Supplies			22	(22)
Other Services and Charges			1,936	(1,936)
CIG Program				
Personal Services			18,855	(18,855)
Supplies			59	(59)
Other Services and Charges			3,134	(3,134)
Filter Mound 319 Grant	35,000			
Personal Services		12,680	773	11,907
Supplies		85	9	76
Other Services and Charges		22,235	3,701	18,534
Upper Looking Glass 319 Grant	90,500			
Personal Services		5,682	411	5,271
Supplies		50	22	28
Other Services and Charges		84,768	91,091	(6,323)
Tree Sales	46,360			
Personal Services		12,460	2,754	9,706
Supplies		28,700	30,235	(1,535)
Other Services and Charges		5,200	4,823	377
Pheasants Forever Project	2,000			
Other Services and Charges		2,000	-	2,000
CSP Maple River Expenses				
Personal Services		-	1,731	(1,731)
Progressive Farmer Expenses	1,500			
Other Services and Charges		1,500	1,209	291
Total General Government	337,755	337,755	341,582	(3,827)
Total Expenditures	\$ 337,755	\$ 337,755	\$ 341,582	\$ (3,827)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 20, 2007

Board of Directors
Clinton Conservation District
2343 North US-27
St. Johns, Michigan 48879

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Directors:

We have audited the financial statements of the Clinton Conservation District (District), Clinton County, Michigan, as of and for the year ended September 30, 2007, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2006-01 and 2006-02.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Clinton Conservation District Board of Directors, management and others within the Conservation District, State and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CLINTON CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

OTHER MATTERS

Although the following are not considered significant deficiencies in internal control, we wish to point out certain other matters for consideration by the management of Clinton Conservation District.

Investment Policy

Finding 2006-01

Condition: As noted in our prior audit, as of September 30, 2007, the board of directors has adopted a formal investment policy that complies with Public Act 20 of 1943, as amended. However, the policy has not been updated to take into consideration GASB Statement No. 40 reporting requirements.

Criteria: According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998. GASB Statement No. 40 added additional requirements related to deposit and investment risk which should be incorporated into the policy. GASB Statement No. 40 became effective for financial periods beginning after June 15, 2004.

Recommendation: We recommend that the investment policy be updated in accordance with State statute and include reporting requirements as recommended by GASB Statement No. 40. We provided the Conservation District with a sample investment policy at the exit conference which may be used in updating the current policy.

Management Response: The Conservation District will modify the current policy to be in compliance with GASB Statement No. 40.

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

Electronic Transactions of Public Funds

Finding 2006-02

Condition: As noted in the prior audit, the Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority.

Criteria: According to MCL 124.303:

“A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

CLINTON CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

(a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.

(b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.

(c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.

(d) The approval of ACH invoices before payment.

(e) Any other matters the treasurer or ETO considers necessary.”

Recommendation: Again, we recommend that the Conservation District board adopt a resolution to authorize electronic transactions that includes the above mentioned items, as required by the statute.

Management Response: The Conservation District will adopt a policy for electronic transactions in accordance with the statutes.